HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

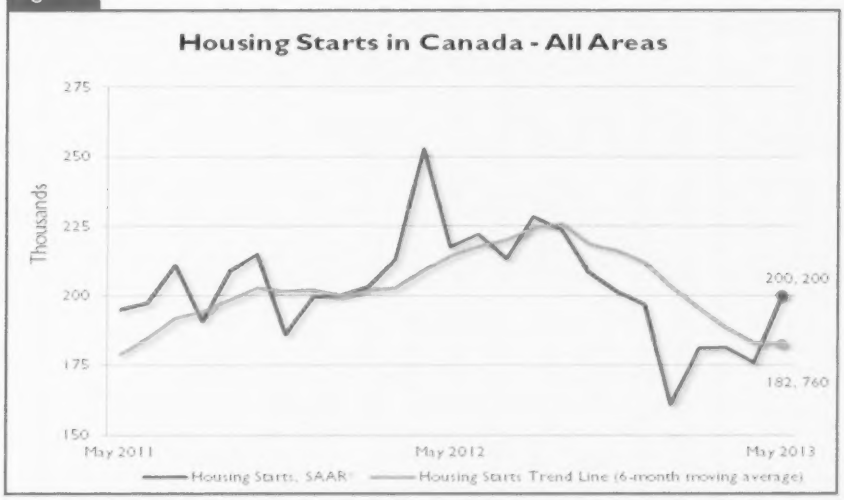
New Home Market

Housing starts in May

The number of housing starts was trending at 182,760 units in May compared to 182,971 units in April[1]. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR).

The trend was essentially unchanged in May, as gains in the month of May partly offset the moderation in activity observed in previous months. The standalone monthly SAAR was 200,200 units in May, up from 175,910 units in April[2].

Figure 1



Source: CMHC; *seasonally adjusted at annual rates.

[1]CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban starts increased in May

In Canada's urban centres[3], the seasonally adjusted annual rate (SAAR) of housing starts was 177,256 units in May, a gain of 14.7 per cent from April.

The seasonally adjusted annual rate of urban multi-family starts drove the increase in total starts, as multi-family starts registered a gain of 22.2 per cent to 114,353 units in May. In comparison, single-detached starts in urban areas saw a relatively modest gain of 3.1 per cent to 62,903 units in May.

In rural areas, the estimated seasonally adjusted annual rate of housing starts rose by 7.6 per cent to 22,944 units in May from 21,330 units in April.

Inventories stable in May

Inventories of new and unabsorbed housing units[4] were 18,153 units in May, relatively unchanged from 18,008 units in April. Inventories have been stable so far in 2013, having remained within a narrow range of 18,008 to 18,208 units.

The inventory of new and unabsorbed single- and semi-detached homes decreased for a second consecutive month in May, falling to 7,243 units from 7,389 units in April. As for row homes and apartments, the inventory of new and unabsorbed units rose to 10,910 units in May from 10,619 units in April. However, the increase in May follows three consecutive monthly declines. As a result, the inventory of new and unabsorbed row homes and apartments remains below the level recorded at the beginning of the year (11,235 units in January 2013).

The ratio of the inventory of new and unabsorbed units to population, a simple gauge of potential overbuilding, increased in the first quarter of 2013 to 5.2 from 5.0 in the fourth quarter of 2012.

Construction intentions increase in April

The trend in the value of construction intentions continued to be driven by multi-family dwellings in April.

For a second consecutive month, the value of residential building permits for all dwellings increased in April, rising by 21.0 per cent from March[5]. The gain in April was the largest monthly increase recorded since March 2011, and was driven by a 51.9 per cent increase in the value of permits issued for multi-family dwellings, which also posted a second consecutive advance. On the other hand, the value of permits for single-family dwellings increased by a comparatively modest 1.1 per cent in April from March, following a decrease the previous month.

So far in 2013, the total value of residential building permits has trended higher, with gains in three of the first four months of the year. This follows a period of consecutive monthly declines between July 2012 and December 2012. However, the seasonally unadjusted value of permits in April was 15.4 per cent above the corresponding value in April 2012, the first such year-over-year gain since October 2012.

Canadian Municipalities approved permits for the construction of 232,524 new dwellings (annual rate), up 33.0 per cent from March. This increase was attributable to multi-family dwellings, which rose 58.3 per cent to 158,016 units. The number of permits issued for single-family dwellings, however, fell 0.6 per per cent to 74,508 units.

New Housing Price Index growth steady in April

The NHPI rose by 2.0 per cent in April compared to the same month in 2012, following a similar increase the previous month. NHPI year-over-year growth has trended slightly

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The level of inventories discussed here is for urban centres with a population of 50,000 and over. The inventory of housing units is defined as a snapshot of the level of newly completed and unabsorbed units at a specific time. A unit is defined as "absorbed" when an agreement is made to buy the dwelling. The definition of this concept was recently updated. Prior to 2013, a unit was defined as "absorbed" when an agreement was made to buy or rent the dwelling. However, data on absorption for multiple dwelling units intended for rent was not always available. Supply conditions in the owner and rental markets are now collected under separate, dedicated surveys (see CMHC's *Rental Market Survey* for rented accommodation and CMHC's *Starts and Completions Survey* for owned accommodation). In addition, the series' name was changed from "newly completed and unoccupied" to "newly completed and unabsorbed" as a result of the move towards counts based on the existence of a binding contract.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

lower so far in 2013 relative to 2012, as it has moderated from an average year-over-year monthly gain of 2.3 per cent in 2012 to an average of 2.1 per cent over the first four months of 2013.

Existing Home Market

In May, activity on the existing home market increased, continuing the positive trend for Multiple Listing Service® (MLS®)[6] sales, new listings and prices that has been observed so far in 2013. This follows a period of average monthly declines that held sway over the last half of 2012, when the average monthly growth rates of seasonally adjusted MLS® sales, new listings and prices were all negative.

MLS® sales now on a rising trend

Specifically, seasonally adjusted MLS® sales have registered an average monthly increase of 1.3 per cent over the first five months of 2013. This contrasts with an average monthly decline of 1.2 per cent over the last half of 2012.

More recently, the seasonally adjusted annual rate of MLS® sales increased by 3.6 per cent in May to 453,504 units from 437,676 units in April.

MLS® new listings increase in May

MLS® new listings have also trended higher so far in 2013, rising by an average monthly rate of 0.9 per cent. This follows an average monthly decline of 0.9 per cent in the latter half of 2012.

The seasonally adjusted annual rate of MLS® new listings registered a gain of 1.9 per cent in May, to 881,808 units from 865,032 units in April.

Balanced market conditions continue in May

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, where MLS® sales are a proxy for demand. MLS® sales and new listings have both trended higher in 2013, with sales slightly outpacing new listings so far this year.

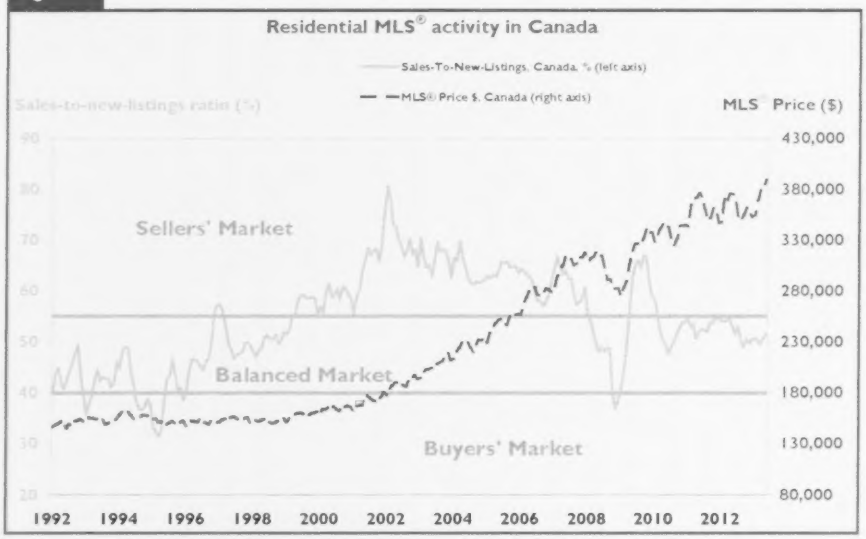
This trend continued in May, as the gain in MLS® sales combined with the relatively weaker increase in MLS® new listings led to a modest increase in the sales-to-new listings ratio to 51.4 per cent from 50.6 per cent in April. As a result, the sales-to-new listings ratio remained in balanced market conditions in May (see Figure 2).

Market conditions have been balanced since November 2011, as trends in MLS® sales and new listings have broadly mirrored each other over that period.

Resale market prices register relatively little change in May

The national seasonally adjusted average MLS® price registered a slight gain of 0.1 per cent in May, resulting in relatively little

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2013M05

[6]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[7]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

change in the average MLS® price between April ($374,283) and May ($374,473).

The unadjusted average MLS® price increased by 3.7 per cent to $388,910 from $375,062 a year before.

This positive trend has also been reflected by the MLS® Home Price Index[8], which registered a fourth consecutive month-over-month increase in May. The MLS® Home Price Index, which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 2.3 per cent from May 2012 to May 2013 in the markets covered, similar to the rate observed in the previous two months. The index rose by 0.8 per cent in May 2013 from the previous month, similar to the monthly pace observed since February 2013.

Teranet-National Bank Composite House Price Index stable in May

The Teranet–National Bank Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 2.0 per cent increase in May from the same month in 2012[9]. The index held steady at this rate for a second consecutive month.

The index posted a month-over-month gain of 1.1 per cent in May from April, the third consecutive increase following a period of consistent declines registered between September 2012 and February 2013. In addition, the monthly rate registered in May was markedly stronger than the gains posted in April (0.2 per cent) and March (0.4 per cent). These developments are consistent with the MLS® Home Price Index.

Economic conditions

According to Statistics Canada, employment increased by 0.5 per cent in May when compared to April, the largest month-over-month gain since March 2012. The increase in May follows little change in April (a slight gain of 0.1 per cent) and a decline of 0.3 per cent in March. As a result, the unemployment rate declined to 7.1 per cent in May from 7.2 per cent in April and March.

When compared with the corresponding month in 2012, employment was up by 1.4 per cent in May (+250,200 jobs). All of the gains in May, relative to last year, were in full-time employment, which recorded an increase of 1.8 per cent (+258,800 jobs), while part-time employment registered a relatively slight 0.3 per cent year-over-year decrease (-8,700 jobs)[10].

Statistics Canada's Consumer Price Index rose by 0.7 per cent in the 12 months to May, following an increase of 0.4 per cent in April. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.1 per cent in the 12 months to May, matching the increase recorded in April.

On May 29, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that *"With continued slack in the Canadian economy, the muted outlook for inflation, and the constructive evolution of imbalances in the household sector, the considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required, consistent with achieving the 2 per cent inflation target."*

According to the Bank of Canada, the five-year posted conventional mortgage interest rate among chartered banks held steady at 5.14 per cent in May for a third consecutive month. The five-year posted conventional mortgage rate has been relatively stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on July 17, 2013. ■

[8]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

[9] The Teranet-National Bank House Price Index™ is based on housing sales activity in 11 markets, including Halifax, Québec, Montréal, Ottawa-Gatineau, Toronto, Hamilton, Winnipeg, Calgary, Edmonton, Vancouver and Victoria.

[10]The sum of part-time and full-time employment may not equal total employment due to rounding.

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2012	Q3:12	Q4:12	Q1:13	M03:13	M04:13	M05:13
Canada. Total. All areas	**214.8**	**221.6**	**203.5**	**175.2**	**181.4**	**175.9**	**200.2**
Per cent change from previous period	10.8	-3.2	-8.2	-13.9	0.2	-3.0	13.8
Canada. Total. Rural areas	**21.3**	**22.2**	**21.6**	**17.1**	**23.7**	**21.3**	**22.9**
Per cent change from previous period	8.5	-0.8	-2.9	-21.1	25.0	-10.1	7.6
Canada. Total. Urban areas	**193.6**	**199.4**	**181.9**	**158.1**	**157.7**	**154.6**	**177.3**
Per cent change from previous period	11.0	-3.5	-8.8	-13.1	-2.7	-2.0	14.7
Canada. Single. Urban areas	**67.2**	**68.5**	**65.1**	**63.2**	**60.7**	**61.0**	**62.9**
Per cent change from previous period	0.1	0.8	-5.0	-2.9	-6.7	0.6	3.1
Canada. Multiple. Urban areas	**126.4**	**130.9**	**116.8**	**94.9**	**97.0**	**93.5**	**114.4**
Per cent change from previous period	17.8	-5.5	-10.7	-18.8	0.0	-3.6	22.2
Newfoundland. Total. All areas	**3.9**	**4.3**	**3.6**	**2.7**	**2.8**	**2.8**	**3.3**
Per cent change from previous period	11.4	6.6	-15.8	-25.2	11.3	0.0	18.0
Prince Edward Island. Total. All areas	**0.9**	**1.2**	**1.0**	**0.9**	**0.3**	**0.4**	**1.0**
Per cent change from previous period	0.1	6.0	-20.2	-6.7	-17.2	37.3	136.1
Nova Scotia. Total. All areas	**4.5**	**5.4**	**5.2**	**4.7**	**5.0**	**2.3**	**5.1**
Per cent change from previous period	-2.6	45.3	-4.5	-10.1	223.9	-54.8	127.0
New Brunswick. Total. All areas	**3.3**	**3.4**	**2.9**	**3.6**	**1.4**	**1.2**	**3.7**
Per cent change from previous period	-4.4	-11.2	-13.1	22.3	-60.3	-14.6	220.8
Quebec. Total. All areas	**47.4**	**48.6**	**45.1**	**35.4**	**37.6**	**41.4**	**38.8**
Per cent change from previous period	-2.1	-7.5	-7.1	-21.5	-3.6	10.2	-6.4
Ontario. Total. All areas	**76.7**	**78.7**	**69.3**	**56.4**	**55.2**	**48.6**	**69.7**
Per cent change from previous period	13.2	-3.8	-11.9	-18.6	-14.3	-12.0	43.5
Manitoba. Total. All areas	**7.2**	**8.3**	**6.4**	**6.8**	**11.0**	**9.0**	**6.7**
Per cent change from previous period	19.1	6.2	-22.4	6.1	92.6	-18.1	-25.3
Saskatchewan. Total. All areas	**10.0**	**10.7**	**11.1**	**6.6**	**7.5**	**6.7**	**7.3**
Per cent change from previous period	41.8	11.9	3.2	-40.6	41.4	-10.6	8.3
Alberta. Total. All areas	**33.4**	**32.4**	**34.5**	**33.9**	**34.7**	**39.0**	**41.4**
Per cent change from previous period	29.9	-8.4	6.5	-1.6	-1.4	12.1	6.3
British Columbia. Total. All areas	**27.5**	**28.7**	**24.5**	**24.2**	**25.9**	**24.6**	**23.2**
Per cent change from previous period	4.0	-1.9	-14.8	-1.1	10.5	-4.8	-5.9

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s

	2012	Q3:12	Q4:12	Q1:13	M03:13	M04:13	M05:13
Canada. Total. Urban areas	193.6	199.4	181.9	158.1	157.7	154.6	177.3
Newfoundland. Total. Urban areas	2.5	2.7	2.3	1.7	1.8	1.9	1.7
Prince Edward Island. Total. Urban areas	0.7	0.9	0.6	0.7	0.3	0.2	0.7
Nova Scotia. Total. Urban areas	3.9	4.8	4.7	4.2	4.4	1.6	4.4
New Brunswick. Total. Urban areas	2.5	2.8	2.1	2.9	1.0	0.7	2.7
Quebec. Total. Urban areas	40.5	41.6	38.1	29.5	28.9	33.0	31.2
Ontario. Total. Urban areas	74.4	76.7	66.0	54.7	52.8	46.1	67.4
Manitoba. Total. Urban areas	4.9	5.9	4.1	5.0	7.6	7.2	3.5
Saskatchewan. Total. Urban areas	7.9	8.2	9.6	5.8	6.2	4.9	5.9
Alberta. Total. Urban areas	30.6	29.4	31.8	30.7	30.3	35.9	38.6
British Columbia. Total. Urban areas	25.5	26.3	22.8	22.9	24.3	23.0	21.3

SOURCE: CMHC. Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2012	Q3:12	Q4:12	Q1:13	M03:13	M04:13	M05:13
New Housing							
New & unabsorbed singles & semis, units 000s	6.7	6.0	6.7	7.5	7.5	7.4	7.2
Per cent change from same period previous year	7.5	5.0	7.5	24.7	24.7	27.4	26.8
New & unabsorbed row & apartments, units 000s	10.7	9.7	10.7	10.8	10.8	10.6	10.9
Per cent change from same period previous year	-17.0	-27.6	-17.0	10.5	10.5	10.0	16.0
New House Price Index, 2007=100	108.0	108.3	108.8	109.3	109.4	109.6	n.a.
Per cent change from same period previous year	2.3	2.3	2.3	2.1	2.0	2.0	n.a.
Existing Housing							
MLS® resales*, units 000s	454.5	443.0	428.7	427.4	430.0	437.7	453.5
Per cent change from same period previous year	-1.2	-4.1	-10.4	-10.3	-10.7	-9.3	-3.3
MLS® average resale price, 000s**	363.4	360.4	361.5	368.7	373.7	374.3	374.5
Per cent change from same period previous year	0.3	-0.1	0.1	0.6	0.9	1.0	3.4
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.17	3.10	3.07	3.00	3.00	3.00	3.00
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.24	5.24	5.21	5.14	5.14	5.14

SOURCE: CMHC. Statistics Canada. Bank of Canada. The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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